Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.	eport					
Local Government Type City Township Village Ot	Local Government Name		County			
Audit Date Opinion Date	Date Accountant	Report Submitted to State:				
We have audited the financial statements of accordance with the Statements of the Grandial Statements for Counties and Local	overnmental Accounting Standar	ds Board (GASB) and the	Uniform Reporting Format fo			
We affirm that:						
We have complied with the Bulletin for the second sec	ne Audits of Local Units of Govern	ment in Michigan as revised				
We are certified public accountants regis	stered to practice in Michigan.					
We further affirm the following. "Yes" respon comments and recommendations	ses have been disclosed in the fir	nancial statements, including	the notes, or in the report of			
You must check the applicable box for each i	tem below.					
Yes No 1. Certain component	units/funds/agencies of the local ι	unit are excluded from the fin	ancial statements.			
Yes No 2. There are accumula 275 of 1980).	ated deficits in one or more of th	is unit's unreserved fund ba	alances/retained earnings (P.A.			
Yes No 3. There are instance amended).	s of non-compliance with the Ur	niform Accounting and Budo	geting Act (P.A. 2 of 1968, as			
<u> </u>	violated the conditions of either order issued under the Emergence		Municipal Finance Act or its			
<u> </u>	s deposits/investments which do 29.91], or P.A. 55 of 1982, as am		equirements. (P.A. 20 of 1943,			
Yes No 6. The local unit has b	een delinquent in distributing tax r	evenues that were collected	for another taxing unit.			
Yes No 7. pension benefits (n	violated the Constitutional requirormal costs) in the current year. In the normal cost requirement, no	If the plan is more than 100	0% funded and the overfunding			
Yes No 8. The local unit uses (MCL 129.241).	credit cards and has not adopt	red an applicable policy as	required by P.A. 266 of 1995			
Yes No 9. The local unit has n	ot adopted an investment policy a	s required by P.A. 196 of 199	97 (MCL 129.95).			
We have enclosed the following:		Enclosed	To Be Not Forwarded Required			
The letter of comments and recommendation	ns.					
Reports on individual federal financial assist	ance programs (program audits).					
Single Audit Reports (ASLGU).						
Certified Public Accountant (Firm Name)						
Street Address	City	St	ate ZIP Code			
Accountant Signature Signature Signature	P. c .	Da	ate			

South Haven Township and Casco Township Water and Sewage Treatment Authority Allegan County, Michigan FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year ended June 30, 2005

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INDEPENDENT AUDITORS' REPORT

Board of Trustees South Haven Township and Casco Township Water and Sewage Treatment Authority

We have audited the accompanying financial statements of the governmental activities and the major funds of the South Haven Township and Casco Township Water and Sewage Treatment Authority as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major funds of the South Haven Township and Casco Township Water and Sewage Treatment Authority as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The South Haven Township and Casco Township Water and Sewage Treatment Authority has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the South Haven Township and Casco Township Water and Sewage Treatment Authority's basic financial statements. The supplementary data, as listed in the contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The supplementary data has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandoll P.C.

December 22, 2005



BASIC FINANCIAL STATEMENTS

South Haven Township and Casco Township Water and Sewage Treatment Authority STATEMENT OF NET ASSETS

	Governmental activities
ASSETS	
Current assets:	
Cash	\$ 264,344
Receivables (net)	312,302
Total current assets	576,646
Noncurrent assets:	
Receivables (net)	5,454,083
Deferred charges	197,793
Capital assets (net of accumulated depreciation)	24,422,365
Total noncurrent assets	30,074,241
Total assets	30,650,887
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	212,586
Current maturities of long-term debt	1,055,000
Total current liabilities	1,267,586
Noncurrent liabilities - long-term debt	23,926,739
Total liabilities	25,194,325
NET ASSETS	
Invested in capital assets, net of related debt	5,190,676
Unrestricted	265,886
Total net assets	\$ 5,456,562

South Haven Township and Casco Township Water and Sewage Treatment Authority STATEMENT OF ACTIVITIES

Year ended June 30, 2005

	Governmental activities
EXPENSES Public works Interest	\$ 657,989 1,243,488
Total expenses	1,901,477
PROGRAM REVENUES Customer charges Fees and permits Special assessments Interest	647,175 643,463 84,755 345,843
Total program revenues	1,721,236
CHANGE IN NET ASSETS	(180,241)
NET ASSETS - BEGINNING	5,636,803
NET ASSETS - ENDING	\$ 5,456,562

South Haven Township and Casco Township Water and Sewage Treatment Authority COMBINING BALANCE SHEET- governmental funds

	Se	995 eries und	Se	997 eries und		1998 Series Fund	S	999 eries fund
ASSETS	\$		ሱ		Φ	E0.000	ሱ	
Cash Receivables:	Ф	-	\$	-	\$	58,066	\$	-
Accounts		-		-		11,744		-
Assessments Due from other funds		•		-	1	1,409,928		-
Due from other funds			<u></u>	-				
Total assets	<u>\$</u>	-	<u>\$</u>	-	\$ 1	1,479,738	<u>\$</u>	_
LIABILITIES AND FUND BALANCES Liabilities:								
Accounts payable	\$	-	\$	-	\$	1,174	\$	-
Due to other funds		-		-	,	-		-
Deferred revenue	<u></u>	-	-		1	1,392,904		
Total liabilities		-		-	1	1,394,078		-
Fund balances				<u>-</u>		85,660		-
Total liabilities and								
fund balances	\$	-	<u>\$</u>		<u>\$ 1</u>	1,479,738	<u>\$</u>	-

	2000 Series Fund	2004 Series Fund		2004 Series Fund		C	onmajor <u>fund</u> Capital rojects	 Total
\$	163,118	\$	-	\$	43,160	\$	-	\$ 264,344
_	16,536 2,067,063	_	20,649 849,381		14,317 1,193,431 26,738		- 19,730 	 63,246 5,539,533 26,738
\$	2,246,717	\$	870,030	<u>\$</u>	1,277,646	<u>\$</u>	19,730	\$ 5,893,861
\$	1,653	\$	1,427	\$	972	\$	19,730	\$ 24,956
	- 2 031 272		26,738 841,865		- 1 199 049		-	26,738
	2,031,272		041,000		1,188,042			 5,454,083
	2,032,925		870,030		1,189,014		19,730	5,505,777
	213,792	_	<u>-</u>		88,632		-	388,084
<u>\$</u>	2,246,717	<u>\$</u>	870,030	\$	1,277,646	\$	19,730	\$ 5,893,861

South Haven Township and Casco Township Water and Sewage Treatment Authority COMBINING BALANCE SHEET- governmental funds (Continued)

Total fund balances (page 6)	\$	388,084
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 4) are different because:		
Interest on special assessments are recorded when billed in the funds, but accrued on the statement of net assets.		163,606
Bond issuance costs are expenditures in the funds, but deferred on the statement of net assets.		197,793
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	2	4,422,365
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.		5,454,083
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.		(187,630)
Long-term liabilities, including bonds payable and advances from other governmental units, are not due and payable in the current period and, therefore, are not reported in the funds.	_(2	4,981,739)
Net assets of governmental activities	\$	5,456,562

South Haven Township and Casco Township Water and Sewage Treatment Authority COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds

Year ended June 30, 2005

	1995 Series Fund	1997 Series Fund	1998 Series Fund	1999 Series Fund
REVENUES				
Customer charges - debt service Fees and permits	\$ 132,946	\$ 43,875	\$ 145,396 74,003	\$ 120,249 -
Interest	40,757	10,230	78,625	70,077
Other - special assessments	84,588		133,531	
Other - special assessments	04,000	18,757	133,331	114,175
Total revenues	258,291	72,862	431,555	304,501
EXPENDITURES				
Public works	13,305	4,457	14,770	12,215
Debt service:	,	.,		- -,-
Principal	_	50,000	150,000	125,000
Interest and fees	_	22,264	280,225	152,537
Bond issuance costs	_			-
Bond loading oods				
Total expenditures	13,305	76,721	444,995	289,752
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	244,986	(3,859)	(13,440)	14,749
OTHER FINANCING COURCES (USES)				
OTHER FINANCING SOURCES (USES)				
Advances from townships	-	-	-	-
Refunding bonds	-	-	-	-
Refunding bond premium	-	-	_	-
Payment to refunded bond escrow	-	-	-	-
Operating transfer in	-	3,859	-	-
Operating transfer out	(244,986)		-	(227,352)
Total other financing	(244 086)	3 850	_	(227 352)
	(244,986)	3,859		(227,352)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	(13,440)	(212,603)
FUND BALANCE - BEGINNING			99,100	212,603
FUND BALANCE - ENDING	\$ -	\$	\$ 85,660	\$ -

			Manmaiau	
2000 Series	2004 Series	2004 Series	Nonmajor <u>fund</u> Capital	
<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	projects	<u>Total</u>
\$ 204,709	\$ -	\$ -	\$ -	\$ 647,175
535,320	-	-	34,140	643,463
156,895	_	-	5,100	361,684
208,744	-			559,795
1,105,668			39,240	2,212,117
20,795	-	-	39,240	104,782
325,000	235,000	40,000	_	925,000
540,775	127,177	103,314	-	1,226,292
	92,774	133,650		226,424
886,570	454,951	276,964	39,240	2,482,498
219,098	(454,951)	(276,964)		(270,381)
-	114,315	-	-	114,315
- ,	3,410,000	5,575,000	-	8,985,000
-	13,700	216,662	-	230,362
-	(3,329,497)	(5,653,418)	•	(8,982,915)
-	246,433	227,352	-	477,644
(5,306)	· -			(477,644)
(5,306)	454,951	365,596		346,762
213,792	-	88,632	-	76,381
				311,703
\$ 213,792	\$ -	\$ 88,632	<u>\$ -</u>	\$ 388,084

South Haven Township and Casco Township Water and Sewage Treatment Authority COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds

Year ended June 30, 2005

Net change in fund balances - total governmental funds	\$ 76,381
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation in the current period.	(553,207)
Interest on special assessments is recorded when billed in governmental funds, but accrued on the statement of net assets. The decrease in interest accrual was as follows.	(15,841)
Advances from other governmental units provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net assets.	(114,315)
The proceeds from refunding bonds and transfers to bond escrow agent are other financing sources and uses in the funds. They are adjustments to long-term liabilities in the statement of net assets.	(232,447)
Bond issuance costs are recorded as expenditures in the funds. These costs are expensed over the life of the outstanding bonds in the statement of activities.	226,424
Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net assets.	925,000
Special assessments are not available to pay for current-period expenditures, and are deferred in the funds. The change in deferred amounts was as follows.	(475,040)
Interest on long-term liabilities is recorded when due in the funds, but accrued on the statement of net assets. The decrease in interest accrual was as follows.	(17,196)
Change in net assets of governmental activities	<u>\$ (180,241)</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the South Haven Township and Casco Township Water and Sewage Treatment Authority, Michigan (the Authority), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Authority. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Authority has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely-presented component unit in the Authority's financial statements.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Authority. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other revenue items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and expenditures relating to claims and judgments are recorded only when payment is due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued): State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Authority reports the following major governmental funds:

1995 Series Fund - this fund is used to record the funding and payment of principal and interest on debt related to the bonds issued in 1995.

1998 Series Fund - this fund is used to record the funding and payment of principal and interest on debt related to the bonds issued in 1998.

1999 Series Fund - this fund is used to record the funding and payment of principal and interest on debt related to the bonds issued in 1999.

2000 Series Fund - this fund is used to record the funding and payment of principal and interest on debt related to the bonds issued in 1999.

2004 Refunding Series (1995 & 1997) Fund - this fund is used to record the refunding and payment of principal and interest on debt related to the bonds originally issued in 1995 and 1997.

2004 Refunding Series (1999) Fund - this fund is used to record the refunding and payment of principal and interest on debt related to the bonds originally issued in 1999.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

- d) Assets, liabilities, and net assets or equity.
 - i) Bank deposits Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.
 - ii) Receivables In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Authority considers all receivables to be fully collectible.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- d) Assets, liabilities, and net assets or equity (continued):
 - iii) Deferred charges The Authority has elected to prospectively account for bond issuance costs as deferred charges on the statement of net assets, and to amortize these costs over the life of the related long-term liabilities.
 - iv) Capital assets Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Authority as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Authority elected to account for infrastructure assets retroactively.

Capital assets are depreciated using the straight-line method over the following useful lives:

Water distribution system 50 years Sewage collections system 50 years

The water distribution and sewage collection systems include both capitalized interest and purchased capacity fees, which will be depreciated over the life of the systems.

- v) Fund equity In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
- vi) Special assessment recognition: In governmental funds, special assessment revenue is recorded as deferred when initially assessed. Revenues are recognized to the extent that special assessments are collected. Interest income on special assessments receivable is not accrued until its due date.

NOTE 2 - CASH AND INVESTMENTS:

Deposits are carried at cost and are maintained at one financial institution in the name of the Authority. State statutes and the Authority's investment policy authorize the Authority to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Authority's deposits are in accordance with statutory authority. At June 30, 2005, the Authority has deposits with a carrying amount and bank balance of \$264,344. Of the bank balance, \$100,000 is covered by federal depository insurance and \$164,344 is uninsured.

The Authority believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 3 - RECEIVABLES:

Receivables as of year end for the Authority's individual funds are as follows:

Fund	Inter- governmental		Special assessments		Total	
1998 Series	\$	11,744	\$	1,409,928	\$ 1,421,672	
2000 Series		16,536		2,067,063	2,083,599	
2004 Series (1995 & 1997)		20,649		849,381	870,030	
2004 Series (1999)		14,317		1,193,431	1,207,748	
Capital projects		<u>-</u>	•	19,730	19,730	
Totals	<u>\$</u>	63,246	<u>\$</u>	5,539,533	\$ 5,602,779	
Non-current portion	\$	_	\$	5,454,083	\$ 5,454,083	

All receivables are considered to be fully collectible.

NOTE 4 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2005, was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets being depreciated:				
Water distribution system	\$ 10,747,346	\$ -	\$ -	\$ 10,747,346
Sewage collection system	16,913,006	-		16,913,006
Subtotal	27,660,352			27,660,352
Less accumulated depreciation for:				
Water distribution system	951,742	214,947	-	1,166,689
Sewage collection system	1,733,038	338,260	-	2,071,298
Subtotal	2,684,780	553,207		3,237,987
Total capital assets being depreciated, net	\$ 24,975,572	\$ (553,207)	\$ -	\$ 24,422,365

Depreciation expense was charged to the public works function of the Authority.

NOTE 5 - LONG-TERM LIABILITIES:

Long-term liabilities at June 30, 2005, are comprised of the following individual issues:

Special assessment bonds payable:		
\$1,140,000 1997 limited tax general obligation bonds, refunded in 2004, remaining annual installment of \$50,000 due in 2006; interest at 5.00%	\$	50,000
\$6,335,000 1998 limited tax general obligation bonds, due in annual installments of \$150,000 to \$600,000 through 2019; interest at 4.25% to 6.25%		5,785,000
\$5,930,000 1999 limited tax general obligation bonds, refunded in 2004, remaining annual installments of \$150,000 due in 2006; interest at 4.80%		150,000
\$10,390,000 2000 limited tax general obligation bonds, due in annual installments of \$310,000 to \$1,250,000 through 2021; interest at 5.00% to		9,555,000
\$3,410,000 2004 refunding bond (1995 & 1997), due in annual installments of \$70,000 to \$325,000 through 2017; interest at 2.75% to 4.00%		3,175,000
\$5,575,000 2004 refunding bond (1999), due in annual installments of \$40,000 to \$480,000 through 2020; interest at 2.00% to 4.10%	_	5,535,000
Subtotal Less unamortized deferred charges		24,250,000 (93,521)
Total bonds payable	<u>\$</u>	24,156,479
Long-term advances from member townships:		
Due to Casco Township	\$	306,031
Due to South Haven Township	_	519,229
	<u>\$</u>	825,260

The long-term advances are payable from future cash flows as they become available.

NOTE 5 - LONG-TERM LIABILITIES (Continued):

Long-term liability activity for the year ended June 30, 2005, was as follows:

		Beginning balance	 Additions	_F	Reductions		Ending balance	a	Amounts lue within one year
LTGO 1995 series	\$	2,450,000	\$ -	\$	2,450,000	\$	_	\$	_
LTGO 1997 series		915,000	-		865,000		50,000		50,000
LTGO 1998 series		5,935,000	-		150,000		5,785,000		150,000
LTGO 1999 series		5,655,000	-		5,505,000		150,000		150,000
LTGO 2000 series		9,880,000	-		325,000		9,555,000		400,000
LTGO 2004 refunding series		-	3,410,000		235,000		3,175,000		255,000
LTGO 2004 refunding series		-	5,575,000		40,000		5,535,000		50,000
Amounts deferred on refunding		-	(107,553)		(14,032)		(93,521)		-
Long-term advances		710,945	 114,315		_	_	825,260		-
Total long term liabilities	<u>\$</u>	25,545,945	\$ 8,991,762	<u>\$</u>	9,555,968	<u>\$</u>	24,981,739	<u>\$</u>	1,055,000

Debt service requirements for bonds payable at June 30, 2005, are as follows:

	Principal	Interest
Year ended June 30:		
2006	\$ 1,055,000	\$ 1,125,780
2007	1,050,000	1,074,043
2008	1,050,000	1,022,918
2009	1,135,000	970,543
2010	1,205,000	916,905
2011 - 2015	8,245,000	3,636,937
2016 - 2020	9,260,000	1,630,800
2021 - 2025	1,250,000	62,500
Totals	\$24,250,000	\$10,440,426

NOTE 6 - ADVANCE REFUNDINGS OF LONG-TERM LIABILITIES:

On September 22, 2004, the Authority issued \$3,410,000 in limited tax general obligation bonds with an average interest rate of 3.4% to advance refund \$3,265,000 of outstanding 1995 and 1997 Series bonds with average interest rates of 4.9%. The net proceeds of \$3,329,497 (after payment of \$94,203 in underwriting fees, insurance, and other issuance costs) plus an additional \$80,961 of Authority monies were used to purchase government securities.

On November 3, 2004, the Authority issued \$5,575,000 in limited tax general obligation bonds with an average interest rate of 4.3% to advance refund \$5,380,000 of outstanding 1995 Series bonds with an average interest rate of 5.2%. The net proceeds of \$5,653,418 (after payment of \$138,244 in underwriting fees, insurance, and other issuance costs) were used to purchase government securities.

The above purchased securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portions of the 1995, 1997, and 1999 bonds. As a result, the refunded bonds are considered to be defeased and the liability for the refunded portions of the bonds has been removed from the government-wide statement of net assets. The refunded bonds will be called in May 2006. The unrefunded portions of the bonds are presented as long-term liabilities on the statement of net assets.

The Authority completed the advance refunding to reduce its total debt service payments over the next 15 years by \$466,296 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$354,714. Combined, the reacquisition prices exceeded the net carrying amount of the old debt by \$107,553. This amount is being netted against the new debt and amortized over the life of the new debt issued.

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At June 30, 2005, the composition of interfund balances is as follows:

2004 Series (1999) \$26,738 2004 Series (1995 & 1997) \$26,738

The interfund balances represent a short-term cash advance at June 30, 2005.

Fund transfers from the 1995 and 1999 series funds moved net assets into the respective 2004 series funds to reflect bond refunding. The transfer from the 2000 series fund was made to prevent deficits in the 1997 and 2004 (1995 refunding) series funds.

South Haven Township and Casco Township Water and Sewage Treatment Authority NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Authority has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - UNCERTAINTY:

The Authority's cash flows for the year ending June 30, 2005, may not be sufficient to make required debt service payments when they are due. The receipt of revenues beyond current levels is contingent upon additional customer connections and collections, which are not within the Authority's control. Ultimately, any cash shortfall will be payable by the constituent Township's under the terms of their full faith and credit pledges associated with the bond issues.

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South Haven Township and Casco Township Water and Sewage Treatment Authority SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS - Series 1997 bonds

<u>Year</u>	Annual interest requirements	Principal retirement (due May 1)	Total requirements
2006	\$ 2,500	\$ 50,000	\$ 52,500

South Haven Township and Casco Township Water and Sewage Treatment Authority SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS - Series 1998 bonds

Year	Annual interest requirements	Principal retirement (due May 1)	Total requirements
2006	\$ 270,500	\$ 150,000	\$ 420,500
2007	261,125	150,000	411,125
2008	251,750	150,000	401,750
2009	242,375	185,000	427,375
2010	234,050	200,000	434,050
2011	224,950	250,000	474,950
2012	213,450	500,000	713,450
2013	190,200	600,000	790,200
2014	162,000	600,000	762,000
2015	133,800	600,000	733,800
2016	105,300	600,000	705,300
2017	76,500	600,000	676,500
2018	51,000	600,000	651,000
2019	25,500	600,000	625,500
	\$ 2,442,500	\$ 5,785,000	\$ 8,227,500

South Haven Township and Casco Township Water and Sewage Treatment Authority SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS - Series 1999 bonds

	Annual	Principal	
	interest	retirement	Total
<u>Year</u>	<u>requirements</u>	(due May 1)	requirements
2006	\$ 3,600	\$ 150,000	\$ 153,600

South Haven Township and Casco Township Water and Sewage Treatment Authority SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS - Series 2000 bonds

<u>Year</u>	Annual interest requirements	Principal retirement (due May 1)	Total requirements
2006	\$ 517,750	\$ 400,000	\$ 917,750
2007	489,750	400,000	889,750
2008	461,750	400,000	861,750
2009	433,750	400,000	833,750
2010	405,750	400,000	805,750
2011	377,750	400,000	777,750
2012	357,750	400,000	757,750
2013	337,750	400,000	737,750
2014	317,750	400,000	717,750
2015	297,750	450,000	747,750
2016	275,250	500,000	775,250
2017	250,250	600,000	850,250
2018	220,250	750,000	970,250
2019	182,750	1,155,000	1,337,750
2020	125,000	1,250,000	1,375,000
2021	62,500	1,250,000	1,312,500
	\$ 5,113,500	\$ 9,555,000	\$ 14,668,500

South Haven Township and Casco Township Water and Sewage Treatment Authority SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS - Series 2004 (1995 & 1997) refunding bonds June 30, 2005

<u>Year</u>	Annual interest requirements	Principal retirement (due May 1)	Total requirements
2006	\$ 104,300	\$ 255,000	\$ 359,300
2007	97,288	320,000	417,288
2008	88,488	325,000	413,488
2009	78,738	325,000	403,738
2010	68,175	305,000	373,175
2011	58,263	305,000	363,263
2012	48,350	305,000	353,350
2013	38,056	300,000	338,056
2014	27,556	295,000	322,556
2015	16,862	295,000	311,862
2016	5,800	75,000	80,800
2017	2,800	70,000	72,800
	\$ 634,675	\$ 3,175,000	\$ 3,809,675

South Haven Township and Casco Township Water and Sewage Treatment Authority SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS - Series 2004 (1999) refunding bonds

June 30, 2005	June	30.	2005
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Year	Annual interest requirements	Principal retirement (due May 1)	Total requirements
2006	\$ 227,130	\$ 50,000	\$ 277,130
2007	225,880	180,000	405,880
2008	220,930	175,000	395,930
2009	215,680	225,000	440,680
2010	208,930	300,000	508,930
2011	199,180	315,000	514,180
2012	186,580	465,000	651,580
2013	167,980	460,000	627,980
2014	149,580	455,000	604,580
2015	131,380	450,000	581,380
2016	108,880	500,000	608,880
2017	83,880	500,000	583,880
2018	58,880	495,000	553,880
2019	39,080	485,000	524,080
2020	19,680	480,000	499,680
	\$ 2,243,650	\$ 5,535,000	\$ 7,778,650



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Board of Trustees
South Haven Township and Casco Township
Water and Sewage Treatment Authority

In planning and performing our audit of the governmental activities and the major funds of the South Haven Township and Casco Township Water and Sewage Treatment Authority for the year ended June 30, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operations that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce, to a relatively low level, the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the following conditions are material weaknesses.

- The Authority's manager is primarily responsible for all accounting matters, including: maintaining cash accounts, depositing receipts, invoicing customers, and recording transactions in the accounting records. This condition represents a lack of segregation of duties.
- The Authority does not reconcile special assessment balances and receipts recorded by the member townships at the end of the townships' respective fiscal years. This condition represents a lack of a basic control procedure.
- The Authority does not have a system in place to document and verify that annual continuing disclosure requirements have been completed by the member townships and the Authority. This condition increases the likelihood of non-compliance with debt agreements and related legal requirements.



Board of Trustees South Haven Township and Casco Township Water and Sewage Treatment Authority Page 2

This report is intended for the information of the Authority Board, management, and the Michigan Department of Treasury and is not intended to be, and should not be, used by anyone other than these specified parties.

Sigfried Cranball P.C.

December 22, 2005